

## **Objectives of a Firm**

Decision making is the fundamental function of any organization.

Decisions are taken at the level of various departments regarding various activities such as purchase, sales, expenditures, procurements and so on. The question is why is decision making so crucial to a firm? The reason why decision making is undertaken is in order to achieve certain goals and objectives.

The aims and objectives of a firm are what the firm would want to achieve or accomplish either in the short period or over the long run.

They are an important aspect of business policy. The objectives of a firm typically determine the policies, strategies and organizational pattern that the firm would have to adopt on a day to day basis in order

to accomplish its goals. In fact one can classify the objectives of a firm in two types i.e. Economic objectives and Business objectives.

The business objectives are both interesting as well as important in formulating the programmes and policies of the firm at the level of all activities and departments.

The economic objectives of a firm are significant in that they determine the short and long term strategies of operations and organization. It is important to note that changes in objectives would have powerful effects on the decisions of the firm concerning pricing, output, costs, expenditure on various factor inputs, advertising outlays etc.

When a firm has clearly delineated objectives and goals, its strategies and programs become more meaningful and focused. However one may add that objectives are not a concrete measure, they are merely

providing a direction, a context to the actions of a firm. Objectives are not a standardized fixed set, they are dynamic. The business environment may change, circumstances change and hence the objectives of the firm may also have to undergo a change. Otherwise the firm will would fail, suffer losses and be declared an inept one.

In framing the objectives what plays a very determining role is the future view the firm has about the nature of its ownself. The Objectives would depend upon what you want to be? How do you want to serve your as well those of the partners personal as well as professional interests? How do you want to be viewed by the clientele? And more importantly how do you want to serve the needs of the marketplace.

Traditionally, profit maximization has been considered as the prime objective of a firm. However modern business firms would consider other objectives of the firm as being important also.

One may consider the following alternatives to profit maximization.

1. Sales revenue maximization.
2. Cost minimization.
3. Profit Satisficing.
4. Growth maximization
5. Social and environment concerns

#### Sales maximization

This objective can be described as the goal of the firm to maximise the market share for its product. This means that the firm is interested in capturing as large a market as possible and thus maximizing its

sales in the market. It can be likened to a complete takeover of the market in terms of sales by a single firm.

The objective of sales maximizing may be pursued with a view to:

1. Gaining monopoly power in the market for a given product. By creating the large market share the firm would exist as the single largest supplier of the product. The monopoly firm would then be in apposition to determine price, output.
2. Sales maximization would also be aimed at driving out other small firms from the market. This actually is an attempt to capture the market .For example super markets may attempt to drive out local shops.

3. When the firm has the largest market share it undoubtedly becomes a large firm and in course of time it becomes a large organization that attracts the best managers and technocrats.

Growth maximization;

This objective is similar to that of sales maximization.